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CORPORATE PARTICIPANTS

Julie C. Albrecht *Sonoco Products Company - VP & CFO*

Robert C. Tiede *Sonoco Products Company - President, CEO & Director*

Roger P. Schrum *Sonoco Products Company - VP of IR & Corporate Affairs*

CONFERENCE CALL PARTICIPANTS

Adam Jesse Josephson *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Brian P. Maguire *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Gabrial Shane Hajde *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

George Leon Staphos *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

Ghansham Panjabi *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Mark William Wilde *BMO Capital Markets Equity Research - Senior Analyst*

Salvator Tiano *Vertical Research Partners, LLC - VP*

Steven Pierre Chercover *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q3 2019 Sonoco Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Roger Schrum, VP of Investor Relations. Thank you. Please go ahead, sir.

Roger P. Schrum - *Sonoco Products Company - VP of IR & Corporate Affairs*

Thank you, Gigi, and good morning, everyone. Welcome to Sonoco's investor conference call to discuss our third quarter 2019 financial results. Joining me today are Rob Tiede, President and Chief Executive Officer; and Julie Albrecht, Vice President and Chief Financial Officer. A news release reporting our financial results was issued before the market opened today and is available on the Investor Relations website at sonoco.com. In addition, we will reference a presentation on our third quarter results, which was also posted on our website this morning.

Before we go further, let me remind you that today's call and presentation contains a number of forward-looking statements based on current expectations, estimates and projections. These statements are not guarantees of future performance and are subject to certain risks and uncertainties, therefore, actual results may differ materially. Furthermore, today's presentation includes the use of non-GAAP financial measures, which management believes provides useful information to investors about the company's financial condition and results of operations. Further information about the company's use of non-GAAP financial measures, including definitions as well as reconciliations of those measures to the most closely related GAAP measure, is also available in the Investor Relations section of our website.

Now with that, I'd like to turn it over to Julie.

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Thank you, Roger. I'll begin on Slide 3, where you see that earlier this morning, we reported third quarter earnings per share on a GAAP basis of $0.91 and base earnings of $0.97 per share. This $0.97 of base EPS is well above the high end of our guidance range of $0.88 to $0.94 per share as well as above our $0.86 of base EPS in the third quarter of last year. We're pleased to have delivered solid operational results in a slumping global economic environment. And I'll add that our third quarter earnings benefited from the Corenso acquisition and from a lower-than-expected effective tax rate.

Related to the $0.06 difference between base and GAAP EPS, $0.05 was due to restructuring activities, $0.05 relates to nonoperating pension costs and $0.03 is from M&A transaction costs. These nonbase expenses were partially offset by a $0.07 noncash gain, driven by a reduction in a site-specific environmental reserve.

Now looking briefly at our base income on Slide 4. And starting with the top line, you see that sales were $1.354 billion, down almost $11 million from the prior year period. I'll review more details about our key sales drivers on the sales bridge in just a moment.

Gross profit was $265 million, approximately $6 million above the prior year quarter as gross profit as a percent of sales was solid at 19.6%. SG&A expenses of $126 million were favorable year-over-year by $9 million, driven by cost reductions across the business, which more than offset the addition of SG&A from acquisitions.

All thus resulting in operating profit of $139 million, which was $15 million above last year. Our third quarter operating profit as a percent of sales was 10.3%, a 120 basis point improvement over the prior year period. And I'll review the key drivers to operating profit on the bridge in a few minutes.

Net interest expense of $14.8 million was nearly flat with last year, primarily due to higher debt balances and reduced interest income on lower offshore cash balances, which were both offset by a onetime interest income from a favorable tax ruling in Brazil.

Income taxes of almost $28 million were approximately $2 million higher than last year, driven by a combination of higher pretax profit but a lower effective tax rate. Our third quarter 2019 effective tax rate of 22.3% was lower than the prior year quarter, primarily due to favorable interpretations of the GILTI tax calculation that we recognized this quarter. And moving down to net income. Our third quarter 2019 base earnings were $98 million or $0.97 per share.

And looking at the sales bridge on Slide 5, you see volume was lower by almost $36 million or 2.6% for the company as a whole. Consumer Packaging volume was down $17 million or 2.9% where some growth in international Rigid Paper Containers was more than offset by lower volume in Rigid Paper Containers North America as well as in flexibles and in plastics. Rob will be providing more color about these volume declines in his comments.

Display and Packaging had solid volume growth of almost $3 million or 1.7%, driven by increased business activity primarily in our domestic displays business and in Poland. This does exclude the impact of exiting the Atlanta pack center, which is included in the exchange and other category. Volume in Paper and Industrial Converted Products was down almost $18 million or 3.8% due to weak global tube and core volumes as well as lower worldwide paperboard demand. And finally, sales volume in Protective Solutions was down by $4 million or 2.8% with a continued trend of weak volume at automotive and consumer packaging, but very strong demand for temperature-assured packaging.

Moving over to price. You see that selling prices were modestly lower year-over-year by $2 million, driven by lower raw material costs, partially offset by our work to better realize the value of the products and services we provide to our customers.

Moving on to acquisitions. You see an impact on the top line of $74 million, which was primarily driven by the Conitex acquisition in the fourth quarter of last year as well as the addition of Corenso's operations in early August.

And finally, exchange and other was negative by $47 million, driven by a $28 million negative impact from foreign exchange translation and $26 million of lower sales from the Atlanta pack center exit at the end of last year's third quarter.

Moving to the operating profit bridge on Slide 6 and starting with volume/mix. Our lower sales volume, concentrated in our industrial and consumer segments, was the primary driver to the $8 million negative impact on operating profit. We did see a benefit from positive mix of business in both our displays and Protective Solutions segments.

Shifting over to price/cost. We had $5 million of unfavorable price/cost in the third quarter, driven mostly by our Industrial Converted Products segment. As usual, there is a slide in the Appendix that shows recent OCC price trends. And there, you'll see that Southeast OCC prices averaged $35 per ton in the third quarter of this year compared to an $88 per ton average in last year's third quarter. Although some of our fourth quarter customer contracts have reset at this level for OCC, we continue to be successful in implementing price increases on noncontract business, along with having a good mix of contracts with pricing that is based on market paper indices such as tan bending chip, which is actually flat year-over-year.

Next, you see that the impact of acquisitions added $9 million to earnings this quarter, which is primarily related to Conitex but also to our Corenso acquisition.

Continuing to total productivity, you see that our total productivity was positive year-over-year by $13 million and was spread across the segments. The main contributors to this positive impact were procurements and fixed costs productivity.

And finally, the change in the exchange and other category was favorable by $6 million, driven by various items, including the positive earnings impact from last September's exit of the Atlanta pack center, a onetime positive tax ruling in Brazil as well as lower depreciation expense.

Now moving to Slide 7. You'll find our segment analysis where you see that our Consumer Packaging sales were down 3.1%, due mostly to softer demand but also our decision to exit a forming films operation in flexibles. Operating profits were higher by 1.3% and operating margin was 9.8%, up 45 basis points relative to the third quarter of last year. Display and Packaging sales were down 12.2%, due primarily to the Atlanta pack center exit last September. Operating profit increased well over 100% to $8.9 million. And operating margin improved by 390 basis points to 6.1%. This earnings increase is due to exiting the unprofitable Atlanta pack center contract, coupled with favorable volume and price cost.

Paper and Industrial Converted Products sales were up 6.9%, driven by the Conitex and Corenso acquisitions and somewhat reduced by lower demand and price. Operating profit is up 10.2%, driven by the benefit of these acquisitions as well as total productivity. Our industrial segment's operating profit was a solid 12% for the third quarter of this year.

Protective Solutions sales were down 2.9%, but operating profit surged by 34% due to strong total productivity results as well as a favorable mix of business. This segment's margins of 10.6% improved by 290 basis points from the prior year quarter. For the total company, sales were down almost 1% while operating profit improved by 12.1%, resulting in a company-wide operating margin of 10.3%. This is a 120 basis point improvement over last year's third quarter.

Moving to Slide 8. You find our outlook for the fourth quarter, where we are forecasting base earnings to be in the range of $0.72 to $0.76 per share. With our year-to-date actual base EPS in this updated fourth quarter guidance, we are updating our full year base earnings guidance to be $3.50 to $3.54 per share.

Specific to our updated fourth quarter earnings guidance as compared to our $0.84 of base EPS in the fourth quarter of last year, we had 2 notable positive items in last year's fourth quarter earnings. The first item was an unusually low tax rate of 17.8% compared with our assumed tax rate in this year's fourth quarter of 26%. This drives a negative $0.08 year-over-year impact on earnings per share. The second item is a $0.04 net benefit from the receipt of flood-related business interruption insurance proceeds in last year's Q4. Adjusted for these 2 unique items, last year's fourth quarter base EPS would have been $0.72, which is in line with our updated guidance for this year's fourth quarter.

Turning to cash flow. On Slide 9, you see that our operating cash flow for the first 9 months of 2019 was $239 million compared with $452 million in the same period of 2018. This $213 million decrease was driven by the year-to-date $175 million after-tax cash impact of the voluntary U.S. pension contributions that we've made this year. These pension contributions have totaled $200 million, and we've had related year-to-date cash tax benefits of approximately $25 million. We do expect an additional $10 million of cash tax benefit in the fourth quarter.

Midway down the slide, you see that our working capital balances increased during the first 9 months of this year by $41 million, which was a $19 million increase in cash usage by working capital versus the prior year period. The primary driver to this increase was timing of accounts payable activity.

I'll also highlight on this slide that our net CapEx spending of $144 million, so far this year, was $32 million higher than last year. The 2 main drivers to this year-over-year change are $11 million of higher gross CapEx spend as well as $21 million of lower asset sale proceeds. As a reminder, last year's asset sale proceeds included $17 million related to the Atlanta pack center exit.

So after our net capital spending and after paying dividends of $127 million, our free cash flow in the first 9 months of this year was a use of $32 million. Excluding the impact of the voluntary pension contribution, our 2019 year-to-date free cash flow would have been a positive $143 million.

At the bottom of this slide, you see that we are leaving our cash flow guidance unchanged from what we provided in July. We continue to expect operating cash flow to be in the range of $435 million to $455 million and free cash flow to be between $60 million and $70 million (sic) [$80 million]. As a reminder, both our operating cash flow and our free cash flow this year are impacted by the estimated $165 million full year after-tax cash flow impact from our voluntary U.S. pension contributions.

On Slide 10, you see that our balance sheet and our liquidity position remain strong. Our third quarter 2019 consolidated cash balance of $116 million reflects a slight $5 million decrease from our year-end cash balance of $120 million.

Next, looking at our debt balances. Our consolidated debt was approximately $1.6 billion at the end of the third quarter, an increase of $170 million from the end of 2018. The main driver to this higher debt balance was the new short-term bank term loan used to fund this year's voluntary pension contributions. I'll also highlight that related to this year's pension contributions, our liability for pension and other post-retirement benefits decreased by $177 million since the end of 2018. This concludes my review of our third quarter financial results.

So with that, I'll turn it over to Rob.

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Thanks, Julie. Let me speak briefly about our performance in the third quarter as well as the first 3 quarters of 2019. And then I will address what we see as we enter the last quarter of 2019, including updating the progress we are making on cost-reduction actions to help meet our financial and operational targets.

Our strong mix of consumer and industrial-related businesses did an excellent job in navigating slumping global macroeconomic conditions in this quarter. By focusing our business on the areas which we can control, we continue to drive margin expansion as each of our 4 business segments reported gains in operating profit as compared to last year. With these strong results, which included the mid-August acquisition of Corenso Holdings, which directionally contributed $0.02 per share, along with the benefit of a lower effective tax rate in the quarter year-over-year, which also contributed directionally $0.02 per share, we exceeded the high end of our guidance.

As I look at the third quarter, I'd point out that base operating profit increased 12.1% to $139 million despite slightly lower sales. Operating margin improved 120 basis points year-over-year, reaching 10.3%, while base OPBDA improved 9.5% to $199 million with OPBDA margin improving to 14.7%, the highest margin performance since 2001.

I am proud of our team's third quarter performance, especially considering how challenging the current operating environment truly is. You've all read the growing amount of troubling economic data, which I believe has been and is pointing to a clear slowdown in global business activity. I'll highlight a few factors, which I believe are relevant to our businesses.

First, domestic ISM manufacturing PMI data for September showed the steepest month of contraction in the manufacturing sector since June 2009. Truckload capacity, which was tight throughout much of 2018, is down dramatically. New order surveys are declining sharply over the last several months, and business confidence indexes are slumping.

This data was clearly reflected in our customers' order patterns in the third quarter. Overall, our volume/mix was down 2.6% in the quarter compared to being down 3.5% in Q2. Our customers are tightening inventories and closely watching new orders with the expectation for slower demand.

Now looking more closely at our first 3 quarters' performance, you'll see sales increased slightly due primarily to the acquisition of Conitex in 2018 and Corenso in August. Lower volume/mix and a $93 million negative impact from a strong dollar offset much of those gains. Base earnings were up a solid 10% to $281 million or $2.78 per share. Results in the first 9 months of the year benefit from earnings from acquisitions, productivity improvements, cost control and a slightly positive price/cost relationship, which more than offset lower volume/mix and the negative impact of foreign exchange.

Our operating profit for the first 9 months of 2019 was up 9.5% to $411 million. And operating margin was a solid 10.1%, an increase of nearly 80 basis points from last year.

In Consumer Packaging, base operating profit in the first 9 months of 29 (sic) [2019] was up slightly from last year at $182 million, and base operating margin was also up slightly at 10.2%. The consumer segment's operating profit benefited from productivity improvements, earnings from acquisitions and a positive price/cost relationship, which offset the impact of lower volume/mix and a negative impact of foreign exchange. As I mentioned, volume in our consumer businesses continued to struggle in the third quarter.

Rigid Paper Containers sales volumes in the quarter declined in North America, which was partially offset by higher revenues in Europe, Latin America and other international operations. Our Flexible Packaging business experienced a shortfall of volume in the third quarter despite solid growth in some of our markets.

As Julie mentioned, we had previously closed the forming films operation in our Elk Grove facility at the end of the second quarter, which drove operational improvement but negatively impacted sales. Rigid plastics volume lagged in the third quarter driven by slowing industrial served markets, which matches the PMI manufacturing data that I mentioned earlier. Perimeter-of-the-store performance also lagged as we continued to deal with operating issues involving the relocation of thermoforming lines into 3 of our facilities earlier this year. We're in the process of upgrading equipment and tooling of several of our perimeter-of-the-store thermoforming facilities to improve quality, which should allow us to better meet customer orders more effectively in 2020 and beyond.

Finally, volume in our prepared and frozen food segment lagged as some new business awards have been pushed out to the end of the year, which we'll see in 2020. In addition, we've recently been awarded new frozen food tray business, which will further add to sales in the second half of next year.

Switching to our Paper and Industrial Converted Products segment. Operating profit for the first 9 months of the year were up 8.9% to $169 million, while operating margin was 11.4%, up about 30 basis points from last year. Earnings from the Conitex and Corenso acquisitions, productivity improvements and a positive price/cost relationship more than offset lower volume/mix and the negative impact of foreign exchange. As you can see in the profit bridge, on a combined basis, Conitex and Corenso added approximately $9 million in operating profit during the quarter.

Industrial volumes continued to struggle in the third quarter, down 3.8%, which was in line with our expectations. We continued to see weakness in demand for global tubes and cores as well as paper, both in uncoated recycled board and corrugating medium. We are continuing to run some recycled pulp in our corrugating medium operations in Hartsville to offset lower orders for medium.

Our Display and Packaging segment in the first 9 months of 2019 reflects a strong turnaround from operating profit at $21.3 million compared to $4.9 million last year. You'll recall we struggled with the Atlanta pack center during the first 9 months of last year and had since exited that contract. However, volumes have been steadily growing in this segment, up 5.2%.

And finally, our Protective Solutions segment had a very good first 9 months of 29 (sic) 2019 with operating profit up 13% to $39.3 million and operating margin at 10%, up about 130 basis points. We continue to experience strong productivity improvements in this segment. And the volume growth in our ThermoSafe temperature-assured protective business is more than offset by weaker volume in our automotive molding and fiber-based consumer protective packaging business.

Let me conclude by addressing what we are seeing as we enter the last quarter of this decade. First, we are projecting a more pronounced year-end slowdown in customer orders in several of our served markets due to continuing deteriorating global macroeconomic conditions. We expect our customers will take a very conservative approach to managing their businesses and will destock inventories at year-end. The fourth quarter typically experiences a seasonal slowdown, and we have seen this pattern of tight inventory controls by our customers for the past 4 quarters.

In addition as Julie mentioned, we face several difficult comparisons in the fourth quarter, including a much higher effective tax rate compared to last year, which is about an $0.08 per share swing. And we benefited from about $0.06 per share in business interruption insurance proceeds in the fourth quarter of last year, which will not repeat. And as you heard Julie say, $0.04 of that really apply to the third quarter of last year.

Overall, we believe we are taking a balanced view of the fourth quarter and are further focusing on controlling the levers that we can. I mentioned last quarter that we have been quietly implementing several fixed cost restructuring actions and have set in place efforts which were targeted to lower costs between $15 million to $20 million this year. Now I expect those efforts to net between $20 million and $25 million by the end of the year.

Despite difficult market conditions, we remain focused on doing what we need to do to drive profitable growth, margin expansion and solid free cash flow. I believe the rigor and discipline we applied to focusing on what we can control, while being flexible when needed, has and will serve us well as we move into the next decade.

Now with that, operator, would you please review the question-and-answer procedures?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Ghansham Panjabi from Baird.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I guess, Rob, first off just picking up on your -- on the last comments you made and the press release about a more pronounced year-end slowdown in customer orders in certain markets, can you just expound on that? Which specific segments do you anticipate that in? It seems like inventory levels across the supply chain across multiple companies that we've covered point towards them being pretty lean. And so I'm just curious as to whether you're seeing further sort of destocking as we cycle into the year-end.

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. I would tell you, Ghansham, the way we've looked at it is, is sort of the behavior we've seen. What we have seen is every quarter starts off pretty strong and then we start to see it tail off towards the end of the quarter. And when I take a look at what we experienced last year in December where we saw significant change in behavior, and I take a look at what our seasonal reductions typically are across the board especially in December. We -- as we looked at all of that, we have no reason to believe at this point that we'll see something different.

Now to the point that you have made is we also believe that some of our customers have been managing their inventory down. And if in fact it is as low as in some cases our people do think it is, then it would not surprise us to see a bit of a surge in orders as we come to the end of the year. I just don't know that we'd necessarily be able to ship those. We may be able to produce and drive absorption through those. But at this point, that's what we see and that's what we know and that's what we built into our guidance.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Got it. And then switching to the Consumer Packaging segment, I know you called out some nuances as it relates to the volume and performance for 3Q. But just sort of stepping back, I mean this segment has been quite weak from a volume standpoint for 3 years now. You have a very broad and diverse product portfolio. You've committed capital to it with certain acquisitions in new verticals that are in theory growing faster. I guess kind of stepping back, what do you think has gone wrong from your vantage point, Rob, that has driven this level of quarterly choppiness in the segment? And then -- what are the initiatives to try and change that going forward?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Sure. Thanks, Ghansham. As I look across the portfolio, I am pleased with what's happening in regards to our rigid paper business. We've seen, if you recall, we saw significant volume declines, especially in Europe as related to the tobacco industry. We have now turned that corner. We're starting to see some volume growth. Clearly, we do believe that some of that volume growth is being attributed to the whole issue around plastics, specifically in Europe. And we're seeing some benefits associated with that. We also are seeing some of our customers grow into white space in markets that they haven't previously been able to participate in.

If I take a look at our plastics business, I think that one of the things that we've clearly seen is a slowdown in terms of our customers rolling out some new products that we have won. We thought, quite frankly, we thought that early in the first quarter, we'd be ramping up some business in our plastics business. And as it turns out, we are now ramping it up in the fourth quarter, so we really won't see the benefit of that run rate until the first quarter. And if I take a look at the additional volume that I referenced in my comments that we won, we should see some additional benefit in the rigid plastics side as we move into the second half of next year.

If I look at our flexibles business -- and again, I want to take a step back, one of the things that we have done is, if you recall, we talked a lot about looking at our businesses holistically. We said that we want to make sure that we're achieving the value that we bring. And in some cases, we've made some choices with respect to moving out of some business that was not necessarily as fruitful as we would expect it to be. So it's a combination of those things.

As we move forward, what are we doing differently? Specifically, we talked about the perimeter-of-the-store. We did see year-over-year sales growth with respect to that. The challenge that we had is, I think, that quite frankly, we had a challenge when we shuttered a facility in the fourth quarter of last year. We got some air cover because of weather in the first quarter of this year. But we were unable to catch up with the inventory levels required, and as a result of that, that cost us some revenue dollars and it was not inconsequential. And so as I mentioned, we're investing in some additional equipment, additional tooling, all of which takes some time to get -- put in place.

I think that as I look at our businesses overall, I think the teams are aligned. We have made some people changes, which we have referenced in the past. And I think those things are starting to take hold. And clearly, if I take a look at some of the performance we had in the third quarter while volume was down, we did see some nice improvement in some of the businesses in the portfolio.

Operator

Our next question is from George Staphos from Bank of America.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

And I wanted -- my first 2 questions, and maybe I will follow on after that, but just piggyback on what Ghansham had teed up. So Rob, if you talk about the fourth quarter and what is -- I guess what is embedded in your volume outlook across the segments to the extent that you can talk about that relative to what you're seeing early in the fourth quarter, recognizing -- and we've talked about this in prior quarters, there's been a sawtooth where the quarter starts out okay and then your customers, everyone's customers, it seems like pulling the horns later in the year. Can you give us a little bit of where are you now relative to what's embedded in the guidance?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Sure. You know what? I would tell you that it's obviously very early as we head into the fourth quarter, but I'm bullish about the fourth -- or specifically October. October typically tends to be our best month and it sets the tone for the quarter. So at this point, I have no reason to believe that we're not going to have a relatively good fourth or October. What I don't have line of sight is December. And so just taking a look at what we saw last December, where we saw the consumer customers really turn off the tap, I don't know whether it's going to be exactly the same. Because as Ghansham mentioned in his question, we do see customers managing their inventory a little tighter. And so as I said, we may have a nice surprise but don't know that. And so without knowing that, we didn't build that into our guidance in terms of orders late in the year that allow us to produce and drive some absorption and have that ready to be shipped in the first quarter. So that's really where we are. I would tell you the industrial business is tracking no differently than what we expected it to. In the consumer business, we're looking at it from the standpoint of probably some of the experience that we had late last year. And we've factored that into our guide.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

So Rob, would it be fair to say, okay, industrial is doing its typical, let's say, minus 3. Consumer is up low single, but you're guiding for flat to down in the fourth quarter? Would that be a fair synopsis?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes, that'd be a fair synopsis. I would tell you that what we're guiding is down somewhere between 1% and 2%.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

Okay. I appreciate the granularity. Then in terms of what you're seeing in terms of your customers and consumer delaying launches, why are they telling you they're delaying their launches? Are they doing it because it's the same old, same old in terms of uncertainty, which hurts confidence, which means you don't spend money on marketing or capital? And if you just get into this -- not you necessarily, but everyone gets into this vortex? Or is there something else going on where they're concerned perhaps about launching a new plastic product in a world that is starting to get a little bit less comfortable with plastics, recognizing there's lots of sides on that debate? What's going on in terms of why the launches are going less quickly than you would have expected?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes, I would tell you, George, it's a couple of things. It's less about the construct, and part of it is just having the resources available to run through and get the trials done. Not on our side, I mean we're ready to go. We've invested in the equipment and we've invested in the tooling and we got things ready to go. It's just getting their folks ready to make the switchover. So that's -- and I'm being very specific around a number of products that we've seen. I do think that they're also looking at it in terms of assessing sort of the volume dynamics. What we did see with one of the products that we did kick off this year was that the volumes far exceeded their expectation, which created another unique dynamic. So there was a delay on that one for a number of -- well, a couple of months and then it was full speed ahead. And so that created a bit of a challenge for us in terms of -- from an operational standpoint because you can only put 5 gallons into a 5-gallon pail, not 6 gallons. So we ended up having to work through all of that.

But from a customers' standpoint, it's not that they're struggling, or at least we have not seen this, George, not that they're struggling with the material construct of the package. Typically, it's just having the resources available to be able to get this done because a lot of our customers have gone through all kinds of rightsizing and, if you will, early retirement. So getting some of the newer people up to speed is probably more of the issue than anything else.

George Leon Staphos - *BofA Merrill Lynch, Research Division - MD and Co-Sector Head in Equity Research*

And my last quick one. I'll turn it over. In Protective Solutions, you had a really nice improvement in EBIT. You gave some directional commentary in terms of what was driving -- you and Julie did. Can you give us a bit more granularity in terms of what drove that, and how sustainable that is going forward?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

You bet. George, we had some really nice volume in our ThermoSafe business that offset, if you will, the what I'll call the fiber business and our molded foam and automotive business. If I take a look at our molded foam and automotive business, great cost control, solid productivity year-over-year. And to address, if you will, rightsizing that business for the volume that's in place. Our fiber business, same thing, solid productivity and then the beauty of the volume in ThermoSafe helped drive that up. Do I think it's sustainable? I think that business is a 10% EBIT business and we've had some fluctuations. I think our folks are getting their arms around some of the volume-challenged business, and they're working hard to address that.

Operator

Our next question is from Adam Josephson from KeyBanc.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Rob, one on just your tubes and cores business -- obviously paper is a big end market for you within that tubes and cores business, and we've all seen in the data how some of those markets, coated, uncoated, have taken a pretty big leg down this year. What do you make of what's going on there? And what are you thinking along those lines for the fourth quarter? Do you expect any recovery? Do you think things -- do you expect things to continue to get worse? What are your thoughts in terms of the paper market specifically that you serve?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes, I -- do I think it's going to get worse, Adam, from what we've experienced? I don't think so. There's nothing that we're aware of that in terms of someone taking additional downtime that we haven't built into our forward thinking. But is that market being challenged? Absolutely. And we've seen actually, quite frankly, specifically the paper side has been a little more challenged than some of the other markets. I guess that's the best answer I could give you.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Yes, I know. Sure. Sure. Just one more in URB industrial business, so you've talked about some selling price declines mostly related to the historically low OCC. I'm just wondering how much of the price declines are just OCC pass-throughs versus any underlying price weakness within URB?

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Adam, hey, it's Julie. In our industrial business, about 1/3 of our contracts are tied to OCC and so are more pure pass-through on a quarterly basis. And then the remainder are roughly split between, let's say, tan bending chip and just other kind of more just broad paper market indices.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Okay. Thank you for that, Julie. And just one on OCC, Rob. Obviously it's historically low. Do you have any -- I know it's early days, it's mid-October, but any expectations for next year given that China is likely to buy even fewer tons next year?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. I mean, Adam, we're right in the planning portion right now as we're thinking about it. We think it's going to be flat around this $35-a-ton level is what we believe to be true. And that's taking into consideration that we also believe that China will curtail the permits from 12 million tons of imports to about 6 million tons, and North America will get its proportionate share. So that's our best thinking as of today.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

And just last on -- relatedly on recycling. So usually, obviously, when you're making good money in your industrial business, you're losing money in recycling just because the impact that OCC prices have on each of those 2 businesses. Can you talk about where recycling fits into your strategy? And are you willing to lose money indefinitely in that business, assuming OCC stays low, as long as you can provide fiber to the rest of your business? Or how are we thinking about recycling, just given what happened in that industry over the past year or 2 with historically low OCC and other recycling prices?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. It's a -- if I think about recycling and why we're in recycling, it was obviously to ensure that we get good quality fiber as an input into our paper mill system. Do we -- if I had a business and said that I'm going to lose money indefinitely, the answer is no, we wouldn't do that. But again, this is an integrated play for us. So a couple of things that we have been doing as it relates to our recycling business, as you know, it's nice that OCC is at $35 a ton, but there's a cost associated with picking that up. I think the vast majority of our customers understand that, so if you will, addressing that and going to our customers with respect to some of those respective challenges, and they get it.

I think the other thing that we have done as I think about our MRFs, and I think we talked about this in the past as well, it has to do with how we have changed the model and where we used to pay for material. We're now going to the municipalities and saying at these price points, we're going to have to revert that back to where you're going to have to contribute towards us addressing that. That has been underway for the better part of the year.

Then ultimately the question is, all right, if it's really about the feedstock for us, we're constantly assessing what we need and where we needed and what that overall footprint might look like. So lots of things going on as we're thinking about it. But we're getting our arms wrapped around it, but it's a critical part of, if you will, our integrated play. If magically we said, gosh, we had an unlimited supply that would never be disrupted and we could buy it at a fair price, that would be another assumption you'd build into it and take a look at it.

Operator

Our next question is from Steve Chercover from D.A. Davidson.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

My first question is just a modeling question. Can you give us the profit drag from the Atlanta pack center through the first 3 quarters of last year and, I guess, for the full year as well?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Steve, can you just speak up a little bit because we're having a hard time hearing you?

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Sure. I was wondering if you could tell us what the profit impact was from the Atlanta pack center for the first 3 quarters of last year and then for the full year?

Roger P. Schrum - *Sonoco Products Company - VP of IR & Corporate Affairs*

Let us look that up and maybe we'll go to your next question while -- we'll look it up while you go to your next question.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Yes. You can circle back. Okay. The second one is more theoretical. If you were to forego acquisitions going forward and held exchange rates flat, do you have a view of how your volumes would trend across your segments?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

If -- I'm going to go back to you. Say that again. So if we said exchange rate held flat?

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Yes, and no acquisitions, do you think that your segments are growing over -- not next quarter, but going forward, longer term?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. The answer is yes. I really do believe that they would be growing. And as I -- I'm just sort of thinking through as I look at -- as I think about next year and what my expectation would be, there's absolutely I would expect to see some moderate organic growth. And when I say moderate organic growth and I also know that we've got some carryover in terms of acquisition sales dollars as I think about next year.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. And then finally...

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Steve, that's true.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Go ahead, Julie.

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Hi, Steve. This is Julie. To your question about the year-over-year positive impacts on operating profit from exiting the Atlanta pack center, that's about $7 million of year-over-year benefit. And just as a reminder, that falls into the other category on our operating profit bridge.

Steven Pierre Chercover - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. And then my last question is with respect to the summit, sustainability summit that you hosted in September. Was it well attended? And are there any highlights that you'd like to share with us?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. There were 170 people that attended the summit. It was a number of CPGs. We also had NGOs. We had a couple of folks from government and we also had a few folks from some of the packaging associations join us as well as academia. The objective of the summit was to bring all these groups together to try to connect the dots between not just what I'll call the unintended consequences of making decisions on a material construct without thinking through what the ramifications were. And that was -- it was the start of what I hope to be an annual event that will allow Clemson to carry the ball forward and bring more companies together. What was the pleasant surprise of that takeaway? A number of our competitors have now asked whether they could participate as we move forward on that. And I view that as a positive because this goes back to questions that one of your colleagues asked: How are you going to get the conversation growing? You can't do it as just a packaging organization. You got to bring the CPGs as well as the supply side to the table. And one of the folks that did talk was from Dow. So I was pleased. In fact, I was -- it surpassed my expectations quite frankly in terms of the folks that came and the feedback that we received from the 2 days.

Operator

Our next question is from Gabe Hajde from Wells Fargo.

Gabrial Shane Hajde - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

I wanted to ask on the Paper and Industrial converting segment. Given some of the weakness that we're seeing across, again kind of printing paper grades and impact on cores, I know that you guys have talked about mostly focusing on optimizing that segment, could you talk at all in terms of your matching your supply and demand on the URB side and/or on the converting side? You guys have been kind of quietly doing that along the way, but anything that stands out to you? Kind of shocked a little bit still that operating rates are kind of mid-90s. Any thoughts there?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Sure. I would tell you that on the URB side, we're continuing to run very strong. And we're seeing prices, for the most part, hold up. What has changed is any contractual arrangements we have. Those are the ones we made the adjustments to, but we are running in the 98% range in the URB side where we clearly has been. And with that said, I want to make sure that I understand your question, Gabe, appropriately, so if I missed it, just come back and make sure that I answered it.

As it relates to volume in terms of tons, obviously with the acquisition of the Corenso business, we've picked up another mill, which I am very pleased with the asset that we have there. I think it allows us to take a look at our network through a different lens. And that was part of the process that we started back in 2017 when we said we're going to invest $68 million into our paper network here in North America to invest in our best machines. And if and when the situation arose, then don't be surprised if there was some curtailment of some of the high-cost machines as we move forward. So our objective is to make sure, first and foremost, that we have the best and the lowest cost supply of paper into our converting side, the tube and core side and as well as into our post business and the Protective Solutions business as well as into our consumer side of the business for the cans. And so that's what our real focus is with respect to the paper network. Did I answer your question?

Gabrial Shane Hajde - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Very helpful. It did, Rob. Absolutely. I want to switch gears to the cost control figure that you threw out. I think you said you upsized it to $20 million to $25 million for this year. And I was curious if you could comment at all how much of that might be, I'll call it structural or permanent, or let's say that things do come back in 2020 or the volume trajectory improves. How much of that might come back next year?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. The expectation is none of that is going to come back next year. This is focused about permanent takeout, and it's a broad spectrum of things. I would also tell you that we're investing in some technology so that it allows us to address that -- the cost structure of the company further down the road in a more sustainable way. And I'd bore you with all kinds of details, but the devil is in the detail, and working through all those things. So we -- this is just something that, quite frankly, is the course of what we as a management team need to do and have been doing. We saw the storm clouds coming early in the year. We started the process beginning in late January and set out some targets. Our folks have come back with a lot more than what we initially set out, so we've got a game plan going forward. We do expect to see some of that impact in the fourth quarter as well as we continue through the balance of the year. So initially, our target was in the $15 million range, bumped it up to $20 million. I'm very confident that we should be able to achieve $25 million.

Operator

Our next question is from Brian Maguire from Goldman Sachs.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I just want to follow up on an earlier one on the -- some of the URB production data. I think you talked about being in the high 90s operating rate. I just wondered if you could kind of help reconcile that versus some of the industry data we get. It seems to reflect maybe more like low 90s. I just wondered if you could kind of comment on your own backlogs there. It sounds like they're still pretty high, but the industry data again is -- maybe indicates it weakened a little bit through the year. Just maybe directionally, are things still looking as strong in there as they were when the year started?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. I would say that right now based on what we see, we expect our system to be full from line of sight that I see, certainly through November. We're -- I mean quite frankly, Brian, we're, if you will, if I think about our paper system, where I see some of the challenges is really our #10 machine, our medium machine where we have been challenged with some volume, which you would expect given where linerboard is and box demand is, et cetera. But right now from what we have line of sight of, we're -- we see the volume continuing to be fairly strong in our mill system, certainly here in North America as well as in Europe, through the fourth quarter as best we can see it today.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. And then just switching gears just a question on the portfolio. You obviously laid out some aggressive M&A targets for 2020, which seems like they'll probably be just hard to hit given the environment and deal multiples being high in general. I just wondered if you could comment on those valuations that you're seeing in general, if they've come down. And just maybe a little bit more specifically, you obviously operate in the recycle rate in URB, the medium machine, I think there are some CRB assets that might become available. I just wondered if you would have any interest in getting into that grade, if you think there could be synergies by having a different boxboard grade as part of the portfolio.

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. No to the CRB. Our focus is really on our driving around the consumer side as we've talked about. We talked about doing some bolt-ons as it related to our paper assets where it made good sense as evidenced by Conitex, as evidenced by Corenso. And then growing out on the consumer side, and we've talked what we want to do in that space. Clearly, as you take a look at multiples, I think the expectation, quite frankly, it depended upon clearly on market specificity. But if I think about where some of the things are right now, I'd see a slight movement. I think the private side has not yet caught up with the public multiples, but I think you're starting to see some reality set in. So that's my view of the world. We'll see whether or not that ultimately comes to fruition or not.

Brian P. Maguire - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. Just last one for me for Julie. Just with the sort of slight tweak down on the EPS guide, I was just wondering how we keep the free cash flow guide flat. Is it just a little bit more working capital? It sounds like you just general destocking into year-end.

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Yes, we do continue to have a target to have our working capital be flat from year-end '18 to year-end '19, if not slightly below that. So we have our teams working very hard across the working capital spectrum. I mentioned as well, we will have a $10 million estimated cash tax benefit in the fourth quarter still related to the pension -- voluntary pension contributions we've made this year, and kind of some other kind of nits and gnats, that are very unique positive cash flow items in the fourth quarter. So we still have line of sight to that, to the cash flow. I mean, again, our fourth quarter is generally kind of trends down seasonality-wise anyway. So we always had, call it, slightly lower net income in our cash flow model for Q4. So this is really not a dramatic change. And -- but again, we have these other levers and opportunities that I've mentioned to help us get to the full year guidance.

Operator

Our next question is from Mark Wilde from Bank of Montréal.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

I'd like to come back to just the cost takeout, the $20 million to $25 million number. First of all, is that an actual number for this year? Is that a run rate number?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

That is an actual number for this year.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. And is all of that, Rob, in SG&A? Or is that kind of in SG&A and other areas?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

It's -- Mark, it's mostly in SG&A. There are some in other areas, but it's mostly in SG&A.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

And because you had like a huge jump this quarter and the sort of the positive benefit in SG&A. And I just wondered if you could give us any sense on a year-over-year basis, Julie, what that might look like in the fourth quarter?

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

We are expecting kind of the quarterly run rate for SG&A to be similar in the fourth quarter as it was in the third quarter.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. All right. That's very helpful. Rob, I want to just turn to kind of consumer plastic packaging right now, just -- are you seeing any impact from kind of all of the negative pressure that we're seeing kind of around single-serve plastics? Is that having any effect anywhere in your portfolio?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Mark, the -- 2 places. One, we talked about -- and that goes back to late last year when we talked about a customer who took one product -- or a product line out of plastic and put it into a fiber [bowl] here in North America. And the only other one that I can think off in terms of having a direct impact on us has been in Europe where amazingly enough, a European took a 100% recyclable plastic construct, put it into a fiber poly-coated material that is not recyclable. So don't know what the outcome of that is or that will happen in Europe. Do we get calls in Europe more so than the U.S. in terms of talking about plastic and fiber? Yes. But when you think about the product, the portfolio we have, we're predominantly in Europe. We are predominantly in plastic on the industrial side. So we're dealing with heavy-duty-type product that fiber isn't going to be able to participate in.

And then we are also in the medical space with the product that's going into the operating theaters. So that's not going to be a changeover. So that's where we're seeing it. The most pronounced would be there in Europe. And so while we had conversations early on, I think what we're now starting to see in light of what we did at the summit and what others are doing, I think people are starting to recognize there's a lot more to this issue than simply saying we must stop. The other thing I would say to you is the vast majority, the vast majority of our products in both flexibles and in rigid plastics are not single use.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Yes. And Rob, just kind of to follow on there, are you seeing any kind of opportunities to take composite can into some markets that may move away from plastic?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes, we are.

Mark William Wilde - *BMO Capital Markets Equity Research - Senior Analyst*

Okay. Well, that's good. And then, finally, I wondered if you could just kind of update us on perspective portfolio moves? Because you've not only talked to us about sort of bolt-ons and industrial and growing in consumer, but you've also got some pieces of the portfolio that you've hinted might be disposal candidates at some point. So could you just update us on where you're at from that perspective?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Sure. We're -- Mark, as you know, we're always looking at the portfolio to address what makes the most sense for the long term for the company. And that will continue as we look at anything and everything within the side of the portfolio, but we also have been pretty clear in terms of where we said. We want to invest that is in the paper side, in the plastics, rigid plastics specifically and thermoforming and into specific markets as well as in the flexibles space and in the flexible space again into specific markets. That's about all that I'll comment on at this time.

Operator

(Operator Instructions) And our next question is from Salvator Tiano from Vertical Research

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Salvator Tiano - *Vertical Research Partners, LLC - VP*

I wanted to clarify a little bit and build on Adam's question on pricing pressure in the Paper/Industrial business. More specifically, you had your price/cost that was negative year-on-year despite the main cause to OCC being down significantly since last summer. So can you elaborate a little bit on what's the pricing pressure you see in excess of the contractual pass-throughs? And what specific end markets are contributing to that? And how should we think about it in the next few quarters?

Julie C. Albrecht - *Sonoco Products Company - VP & CFO*

Sure. This is Julie. I'll take that. I think Rob has already mentioned that in our corrugating area with the #10 machine, we are seeing some market weakness in that area. So that had a contribution to that negative price/cost for operating profit. And as well in the industrial area -- we've just had in the third quarter some timing of contractual resets, where we are kind of catching up to some of the market dynamics around the lower OCC versus the cost of operating, and some of that Rob has mentioned as well. So 2 main drivers there in industrial, one being the -- some weakness in the corrugating market, and the other being timing of some contractual resets in various parts of the industrial segment.

Salvator Tiano - *Vertical Research Partners, LLC - VP*

Perfect. And just as a follow-up to that, I was just wondering, you mentioned roughly, I think, 1/3 of the business is contractually linked to the bending chip index, right, for URB. And is there a sensitivity you can provide now, or perhaps we can follow up later, with regard to what would happen if we see this index repriced by $10, or any other amount you would like to provide?

Roger P. Schrum - *Sonoco Products Company - VP of IR & Corporate Affairs*

Sal, this is Roger. As we've talked, we're generally looking at the portfolio because we have a mix of contracts that are either tied to tan bending chip or OCC. Or generally speaking, we give a plus 10 or minus 10, has general direction of a plus or minus $1 million EBIT impact as you see movements in raw material.

Operator

Our next question is from Gabe Hajde from Wells Fargo.

Gabrial Shane Hajde - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Real quick on the protective packaging segment, seeing growth in the temperature-assured products. One, I know that, that tends to follow sometimes certain treatment, FDA approvals or what have you. But one, do you foresee continued growth in that area? And then two, do you have the capacity to accommodate that?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. Gabe, the answer to specifically your question around ThermoSafe, we broadened out, if you will, the markets that we're participating in. So we're seeing -- part of the growth is coming from clearly dealing with the biologics that are -- that we're serving. But we've also broadened out into some other markets where that's starting to grow fairly nicely and that's what's driving it. And do we have the capacity? The answer is yes, we have the capacity to continue to serve and continue to grow that business.

Operator

Our next question is from Adam Josephson from KeyBanc.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Rob, just one more on the inventory issue and your discussion about it. I know you said at the beginning of each quarter, you see a surge in orders, and toward the end, you see just the opposite. So is it really kind of just that, that you're talking about for December? Or is there something more to it than that? Because I think Ghansham was the one who said he thought general inventories have been run down, but it seems like that's been the case all year. So I don't know why now would be really any different than what's been the case earlier this year?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes. Yes, the only thing that I would say is it being year-end for a lot of our customers. They tend to manage getting to certain metrics for the company that they serve. And so that is a behavior that we typically see in the fourth quarter, and that's why we also see that, if you will, that seasonal adjustment that I referenced earlier. So that's the driver in our thinking right now.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Right, okay. So you don't see customer inventories being just abnormally low at the moment. You're expecting them to run them down at the end of the quarter as they've been doing throughout the year basically.

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

That is what we believe to be true. Yes, Adam.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

Yes. Just a couple of others. You mentioned, I think Mark asked about plastic losing and you talked about the fiber [bowl] and the fiber poly-coated material that's not recyclable. I mean does that -- and I know one of your competitors has talked about gaining share in paper cups and paper bowls, but many of that stuff has poly-coated material. Does that seem to be a sustainable, no pun intended, not environmentally friendly, but a sustainable shift if the product costs more and is not recyclable anyway? I just don't know why CPGs would increasingly gravitate to that kind of product.

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Well, again, you're talking to -- this is one man's opinion. It is such a highly emotionally charged issue as it relates to the polymer constructs. And I think part of it is about educating our -- the consumers and allowing them to make a much better informed decision, but it is a very highly emotional piece. Ultimately, if we're really talking about true sustainability and recycling, we've got to look at all of that. So I think we're just looking at a portion of it. I think the other thing that you didn't ask the question, but the other piece is as we look at material cost for recapturing all this material: Will we see a rise in recycled, if you will, materials? Will it exceed the cost of virgin materials? Then I would not be surprised if we don't see that. In fact, we are seeing that already.

Adam Jesse Josephson - *KeyBanc Capital Markets Inc., Research Division - Director and Senior Equity Research Analyst*

And I really appreciate it. I mean just one last one on plastics. Some of your large recent acquisitions have been in -- of companies that make plastic packaging for fresh produce in California, Florida and obviously there have been unusual weather patterns really since you made those deals, and many companies, not just in the U.S. but elsewhere, are experiencing abnormal weather patterns. How is that affecting your outlook for that -- those businesses that you acquired and how you're managing them?

Robert C. Tiede - *Sonoco Products Company - President, CEO & Director*

Yes, great question. Clearly, there was some self-inflicted pain, but the weather definitely had a play on it. The way we look at this business is a little bit differently. We don't look at it as a manufacturing business. It's a service business that happens to manufacture. And it's a function of just having great data to support our customers, so we're doing a lot more work with respect to connecting to those customers to drive more predictive analytics. And that's a journey that we started and we're working hard towards doing that. And that's where the value is, is having the product as and when needed. And we stumbled a little bit when we, as I mentioned earlier, shuttered a facility in California in fourth quarter, moved a number of machines to 3 different sites along with the tooling. And the ramp-up didn't go as well as we had hoped. As we look forward, I would tell you that the acquisitions in terms of the growth opportunities are right in line with what we thought they would be. The issue is making sure that we capture all of that as appropriately as we can.

Operator

Thank you. At this time, I'm showing no further questions. I would like to turn the call back over to Roger Schrum for closing remarks.

Roger P. Schrum - *Sonoco Products Company - VP of IR & Corporate Affairs*

Well, thank you, Gigi. Sonoco will be hosting its annual breakfast meeting with the financial community on Friday, December 6, 2019, in the Villard Room at the New York Palace Hotel at 455 Madison Avenue. As is our custom, breakfast will be served starting at 7:30 a.m. and presentations will begin just before 8 a.m. Rob and other members of our executive leadership team will provide strategy and business updates, and Julie will provide a first look at our financial targets for 2020. Of course, there'll be plenty of time for your questions. And as always, we'll be very mindful of your time and should be completed around 9:30 a.m. Invitations for the event will be going out this afternoon. And those interested in attending should contact the company through my assistant, Robin Hayter, by phone or by e-mail. Those who can't attend, of course, in person can join us at the meeting via our webcast at sonoco.com under the Investor Relations section.

And as always, thank you again for joining us today. We appreciate your interest in the company. And as always if you have any further questions, please don't hesitate to contact us. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
